

FOREWORD

The Meaning of "Advise and Assist"

The words "advise and assist" occur many times in this statement of functions and activities. They mean what they say: the opposite of "giving orders."

Cooperatives need expert advice and assistance in the management of their businesses; it is a responsibility of REA to give such advice and assistance.

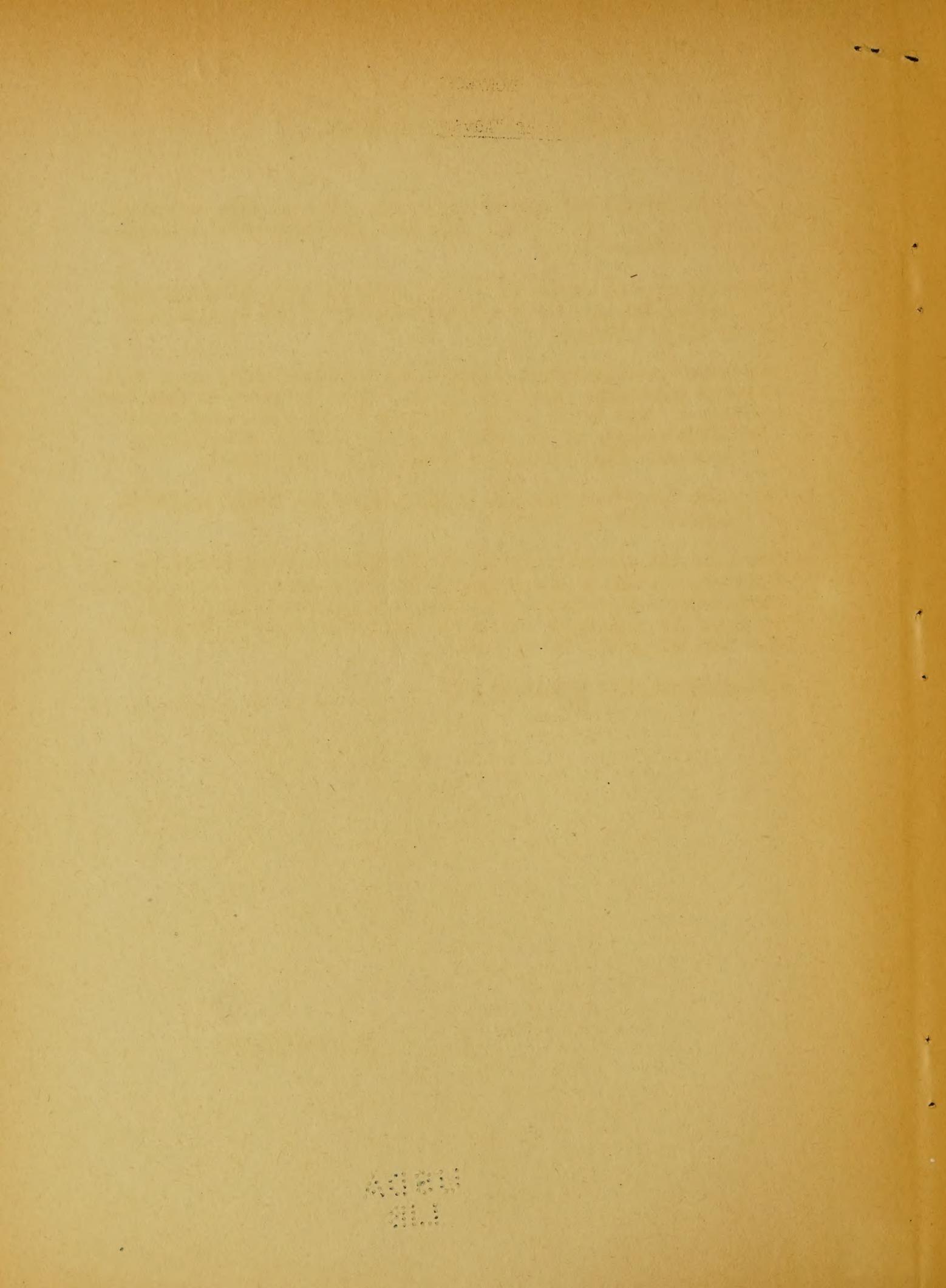
Borrowers are independent corporations organized under State laws. They own and manage their businesses. They are proud of this fact, and have a right to be. They naturally resent orders and meddlesome interference; on the other hand they welcome expert advice and assistance when given in a proper spirit and manner.

REA power "over" borrowers is remote; REA power "with" borrowers is immediate and continuous.

Therefore the effectiveness of the Management Division will be in direct proportion to the soundness and expertness of advice given, which depends on accurate perception and understanding of the facts of the situation; and on the courteous manner in which advice and assistance are offered.

Good management is a selling job.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Management Division

OUTLINE OF THE FUNCTIONS PERFORMED FOR REA BORROWERS BY THE
MANAGEMENT DIVISION

The functions of the Management Division are performed primarily for the conservation of the Government loan, economical and efficient management being the basis to the continuing security of the loan. Incidental to the conservation of the Government's loan, the performance of these functions with respect to particular borrowers varies with the degree of acquired experience of the borrower and the degree of prudence and efficiency of the management. Rural electric cooperatives are a new type of enterprise and REA management assistance is particularly important with respect to new borrowers and usually to a lesser degree with older borrowers although changes in personnel of these borrowers influence the quality of management efficiency.

The degree to which this assistance is extended to individual borrowers operating distribution lines or refrigeration plants is dependent on the evaluation of the extent to which the operating results bear on the security of the loan and is dependent on the personnel available for this purpose. The functions of this division are:

1. Primarily the division is responsible for helping borrowers in the management of their enterprises to achieve effective operations of their systems--operations well-balanced in all aspects. The division serves as a clearing house for borrowers' management activities and thereby makes available to a particular borrower the collective experiences of other borrowers. In assisting borrowers to achieve coordination and balance in operations, the Management Division refers for execution problems concerned with engineering, power use, lending and accounting to other divisions handling these specialized activities; and collaborates with these divisions to assure coordination of assistance to the borrowers. Field reports from representatives of other divisions containing comments on management problems of borrowers are referred to the Management Division for review and necessary action. In contrast to activities of the specialized divisions, the Management Division is concerned primarily with problems on the level of supervisory responsibilities of directors and managers of borrowers. The division makes performance analyses of borrowers' operations to evaluate the management and to determine the nature of the advice and assistance generally required; and to provide a basis for consideration of applications for supplemental loans.

Advice and assistance is given borrowers in the establishment of effective organization and procedures and on organizational problems created by changing conditions.

2. On request, to give advice and assistance to boards of directors with respect to appraising qualifications of applicants for the position of manager (selection is made solely by the boards of directors.)
3. To advise and assist borrowers in the development of operating budgets.
4. To advise and assist borrowers in obtaining adequate rates, and in designing retail rate schedules, including:
 - a. Advice and assistance to borrowers in designing retail rate schedules for all types of service, and
 - b. Periodic analysis of retail rates to determine their adequacy both from the viewpoint of liquidation of the Government loan in accordance with repayment schedules and from the viewpoint of providing consumers with reasonable rates.
5. To advise and assist borrowers concerning their requirements and purchases of general plant and office equipment, and when necessary, approve the use of loan funds for financing such purchases; and to coordinate and recommend for the Administrator's approval transfers or sales of materials and equipment by borrowers.
6. To make arrangements whereby borrowers may buy on a group basis from manufacturers' items such as transformers and meters.
7. To advise and assist borrowers regarding headquarters, warehouse and storage facilities, prepare proposals to serve as a basis for allocation of funds to finance their construction or purchase, and coordinate REA activities related thereto.
8. To advise and assist borrowers regarding labor relations, compliance with Federal and State laws related thereto, and safety programs. Maintain relations between borrowers and the National Safety Council and Federal and State Boards of Education in order to improve safety practices.

9. Review insurance and bond coverages of borrowers for compliance with REA minimum requirements established to protect the Government's investment; and maintain relations with individual and national groups of stock and mutual insurance and bonding companies, rating bureaus and State Commissions in order to obtain proper classification of risks, revised policy forms, rates, settlement of claims and related matters.
10. To advise and assist borrowers with respect to procurement of communication facilities such as two-way radio equipment; prepare proposals to serve as a basis for allocation of funds to finance the purchase and installation of such equipment, and coordinate REA activities related thereto.

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